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MAY 24 '76

PROCUREMENT SECTION
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FARM OPERATING LOANS

The Farmers Home Administration makes farm operating loans accompanied by technical management assistance to operators of family farms.

This loan is tailored to a borrower's needs. The Farmers Home Administration county supervisor helps the borrower analyze his problems, determine his available resources, and plan how these resources, plus those obtained by the loan, may best be used.

Each person applying for credit will be given equal consideration without regard to race, color, creed, sex, marital status, or national origin.

Applications from eligible veterans are given preference.

How may loan funds be used?

Farm operating loan funds may be used to pay for items necessary to the success of the proposed operation, such as livestock, poultry, farm and home equipment, fencing, feed, seed, fuel, fertilizer, chemicals, hail and other crop insurance, food, clothing, medical care, personal insurance, and to hire labor. Certain debts may be refinanced.

Minor improvements to buildings and real estate may be made, and water systems

developed for home use, livestock, and irrigation. Funds can finance the purchase and operation of equipment for producing and harvesting trees and other products, for producing fish under controlled conditions, and for nonfarm businesses and recreational enterprises such as fishing, horseback riding, camping, and hunting.

Pollution control and abatement and alteration of equipment, facilities, or methods of operation to comply with the Occupational Safety and Health Act of 1970 are permissible uses.



What are the terms and interest rate?

Interest rate is set each July 1. Repayment is scheduled according to the borrower's ability to repay. Funds advanced for operating expenses are repaid when the crops, livestock, or other produce are sold.

Funds advanced for other purposes may be repaid in from 1 to 7 years; in some cases loans may be renewed for up to 5 years.

Who may borrow?

To be eligible, an applicant must:

- (1) Have farm experience or training and possess the character, industry, and ability to carry out the operation.
- (2) Manage and operate the farm and nonfarm enterprise. Labor must be furnished primarily by the operator and his immediate family, except during seasonal peak-loan periods.
- (3) Be unable to obtain sufficient credit elsewhere at reasonable rates and terms.
- (4) Be a citizen of the United States of legal age.
- (5) After the loan is made, be an owner or tenant operating a family farm.

Who determines eligibility?

The county or area committee of the Farmers Home Administration determines eligibility of applicants. The committee consists of three persons who know local farming and credit conditions.

If the applicant is eligible, what is the next step?

The Farmers Home Administration county supervisor will assist the applicant in working

out a plan to make the best use of land, labor, livestock, capital, and equipment. Before a loan is made it must be clear that the borrower will have enough income to meet operating and family living expenses and to repay the loan and other debts.

Should a tenant have a written lease?

Not necessarily. A farm operating loan will not be made unless the applicant has the use of a farm of sufficient size and productivity, for a long enough period, to permit him to carry out a successful farming program.

What assistance may the borrower expect after he receives a loan?

Farm operating loans are accompanied by technical advice to help borrowers make profitable use of their land, water, labor, capital, and other resources.

May a borrower use other credit?

Yes. Borrowers are encouraged to obtain needed credit from other sources when it is available to them at reasonable rates and terms.

What security is required?

Each loan will be adequately secured to protect the interests of the Government. Security usually consists of a first lien on crops to be produced and on livestock and equipment purchased or refinanced with loan funds. A lien may be taken on certain other chattel property and an assignment taken on income such as that from a dairy enterprise.

What determines the size of loan?

The county supervisor and the local committee determine the

amount of farm operating credit which can be made available to an applicant. At no time may a borrower's total principal indebtedness for FmHA farm operating loans exceed \$50,000.

May a farmer with off-farm income qualify for a loan?

Yes, if he is otherwise eligible, has dependable off-farm income, and will receive a substantial portion of his cash income from farming.

Does it cost anything to apply for a loan?

No. If a loan is made, however, the borrower pays the small fees charged for lien searches and for filing and recording the security instruments.

Where does one apply for a loan?

Apply at the county Farmers Home Administration office serving the area in which you expect to carry out your operations.

Anyone unable to locate the local office may write the Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250, giving the name of the county in which the farm is located.

What other loans are made by FmHA?

Loans may be made to: Purchase and develop farms; build and improve rural homes and essential farm buildings; finance projects for rural youths; meet emergency credit needs of farmers suffering from a natural disaster; provide individual, rental, and labor housing; develop community facilities; and install business or industrial enterprises.